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STATEMENT TO THE LEGISLATURE

BY

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TREASURER OF ONTARIO AND MINISTER OF ECONOMICS

ON

TAX ON FUEL INEFFICIENT VEHICLES

JUNE 24, 1991



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I want to inform the Legislature today of a change regarding the tax on fuel inefficient vehicles.

Members will recall the Budget proposal to double the existing tax rates, add two new tax ranges and include sport utility vehicles in the tax base. Shortly after the Budget, I met with representatives of the auto industry and the Canadian Auto Workers to discuss the Budget proposal. The representatives, while supporting environmental objectives, believed that the Budget proposal represented a potential threat to jobs and investment. They asked that I review an alternative proposal.

Mr. Speaker, since we came to office, this Government has said consistently that partnerships and consultation are the keys to creating new and solid policy directions. And this exercise demonstrates that Government, labour, business and interest groups can work together successfully for the benefit of all.

To review the issues around the tax and to examine the industry option, a series of consultations were held with the auto manufacturers' — both domestic and import — the CAW, auto dealers, environmental groups, including Friends of the Earth and Pollution Probe, and officials of several Ministries. We sought an alternative option that could be agreed upon and that would still carry a strong environmental signal. Using energy wisely and maintaining environmental integrity are, as I said in the recent Budget, essential to achieving sustainable prosperity. We have developed an option that, I believe, promotes these objectives.

This new initiative is more comprehensive than the Budget proposal. In recognition of its changed nature, the tax has been renamed the "Tax for Fuel Conservation." It will take effect on August 1.

The new policy has several features. As announced in the Budget, it retains the doubling of rates on cars with poor fuel economy ratings — those with ratings of 9.5 litres per 100 kilometres or worse. A new threshold will be added at the 9.0 litres per 100 kilometres level, with a tax rate of \$250. In addition, cars that have fuel economy ratings in the middle range — from 6.0 to 8.9 — will be subject to a \$75 tax.

To complement this tax scheme, a rebate of \$100, credited at the time of purchase, will be provided to purchasers who buy cars that have superior fuel economy ratings — defined as using less than 6.0 litres of fuel per 100 kilometres. This rebate program is the first of its kind in North America.

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Finally, while the tax is extended to sport utility vehicles, the new rates will range from \$75 to \$3200. These rates have been lowered from the Budget proposal in recognition of the impact the higher rates may have had on the industry and dealers in what has proven to be a very difficult economy for the auto industry.

The Minister of Revenue will be introducing amending legislation shortly that contains these changes.

This comprehensive tax/rebate scheme will send a signal to vehicle purchasers and manufacturers of the importance of fuel efficiency and energy conservation. This new policy also demonstrates the Government's openness to new ideas and its willingness to discuss and implement alternative policy options.

Mr. Speaker, this Government has said consistently that new partnerships and new working relationships among government, labour and business are not only possible but, in fact, essential if our province is to successfully meet the changing realities of our time.

It is important to note that as a result of this co-operative effort, the groups involved in developing the consensus policy consider this new initiative to be an improvement over the Budget proposal.

I am happy to put forward this proposal that keeps the environmental message of energy efficiency and polluter pay front and centre. Moreover, it is consistent with our fiscal plan.

I want to thank those who took part in the consultation process for their commitment and resolve in developing what I believe is a strong and sensible environmental policy. This clearly shows that the partnership approach to policy making can work and work well.